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National
Home Center News
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Vol. 15, No. 21 $3 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. October 9, 1989

Dealers gird for 1990 with no recession fears

By Phillip M. Perry
Special to NHCN

NATIONAL REPORT — Relieved that a long-anticipated recession hasn't materialized during 1989 but nervous about the future, the home center industry is moving into the fourth quarter with slimmer operating expenses, more competitive shelf prices, new corporate structures and more aggressive sales techniques to invigorate earnings.

But with the continuing softness in the housing market—which still impacts many contractor-oriented dealers and particularly those in the Northeast—and the spotty performance of different sectors in the economy, home improvement retailers aren't predicting too far ahead about their companies' fortunes.

Many private sector economists foresee a recession on the horizon. But last month the Federal Reserve Bank forecast calm economic seas, indicating few if any surprises to disrupt the nation's business plans.

The Department of Labor's Producer Price Index (PPI) fell for the third consecutive month, meaning inflation has practically disappeared in categories such as building materials and hardware.

Home centers are benefitting from this economic stability, and some companies have thrived. The year's top home center performer has been The Home Depot, whose first half sales and earnings both increased 39 percent to $1.3 billion and $56.7 million, respectively. Comparable store sales popped up 11 percent.

Vendors skittish about dealer debt. See page 6

The Northeast, though, is trying to shake off a dormant housing market and dry off from a damaging wet spring.

East Coast still founders

"There are a lot of very important New York area lumber dealers who are stretched," says Susan Lockwood, a senior vice president with Lockwood Lumber in Yonkers, N.Y. "The Northeast is really hurting."

"June was a washout, and it's an important month in our industry," adds Douglas M. Cohen, vp-finance for NHD Stores, the 36-unit chain based in Stoughton, Mass.

Cohen says July and August have turned out better, and expressed "cautious optimism" for 1989 as a whole. First half sales increased 9.8 percent to $27.5 million, with comp-store sales up 4.2 percent. Earnings, though, fell 54 percent to $232,000.

Grossman's, too, had a rough time in the first half. Second quarter sales increased 4.2 percent to $343.9 million, but earnings dropped 10.4 percent to $10.6 million.

The 152-unit, Braintree, Mass.-based chain, which has been selling off non-Northeast stores over the past few months, had a six-month comparable store sales increase of 5.9 percent, which was "below expectations." Soft contractor sales combined with more competitive shelf pricing to pressure gross margins.

At General Building Products, a chain specializing in kitchen and bath products based in Medford, N.Y., chairman Bruce Meltzer cited the cyclical nature of the housing market as the No. 1 reason for a drop in revenues. "This is our first year of adjustment," he states. The resale values of some properties have declined as much as 20 percent in the region.

"We are in a period of very diligent

(Continued on page 88)

Payless vp-marketing moves into new post at Montgomery Ward

By Gary S. Ruderman

KANSAS CITY, Mo. — Dale Pond, an eight-year veteran of Payless Cashways who rose to senior vp-marketing and merchandising, resigned in late September.

Pond, 43, was slated to begin as senior vp-marketing at Montgomery Ward Oct. 9. He will be responsible for all corporate advertising and direct marketing activities, and report to Ward's chairman and ceo Bernard Brennan. His replacement at Payless had not been named.

Pond, whose salary at Payless was reportedly $170,000, began his affiliation with the chain as an executive with Bernstein Rein Advertising, the Kansas City, Mo., agency which handled Payless' account.

He was hired as the retailer's vp-advertising in 1981. In 1986 he was named senior vp-marketing and advertising. In a power struggle two years ago, Pond was named Payless' senior vp of marketing and merchandising as longtime Payless

(Continued on page 90)

HUGO WREAKS HAVOC FOR HOME CENTERS.
When Hurricane Hugo stormed onto the southeastern U.S. on Sept. 22, Charleston, S.C., became Ground Zero. The Hurricane caused an estimated $1 billion damage in that historic city alone and many area home centers had their businesses disrupted and their stores damaged. Lowe's store in the Charleston area had its front windows blown out, but it was still open for business.
For coverage of the Hurricane and its aftermath, see page 7.
Photo by Brigid Schulte, *The Island Packet*

Church's targets the DIY decorator with new store design

By an NHCN staff editor

BRIGHTON, Mich. — For Church's Lumber, a recently opened 27,000-square-foot store in this suburb northeast of Detroit represents a new phase in the chain's attempt to meet the competition for consumer dollars.

The store has a new look, new departments, and by the use of more attractive displays, is pursuing a third category of customer—people interested in decorating, rather than in building and repairs.

"The store is more upscale than other stores, with departments such as fancier hardware," said Barbara Lewis, a spokesperson for the retailer. She added that a display of window treatments is located in the center of the store.

Bill Church, Church's president, makes the first purchase at the chain's new prototype store in Brighton, Mich. Photo courtesy Church's

To target the DIY decorator, the store, which opened officially Sept. 9, has new departments for wallpaper, customized paint, custom blinds and shades, and closet storage units.

Speaking of the new target customer, Lewis said that "this seems to be the direction the industry is moving. And Church's is competing with larger stores, such as Builders Square, where it's easier to buy everything in one place."

Creating a distinct look

"The main idea is to generate a prototype facility for an enhanced image in the market," said Doug McFerren, architect for the store and director of project administration for the architectural firm of Treacy, Insinger and McFerren in Auburn Hills, Mich.

The Utica, Mich.-based chain is try-

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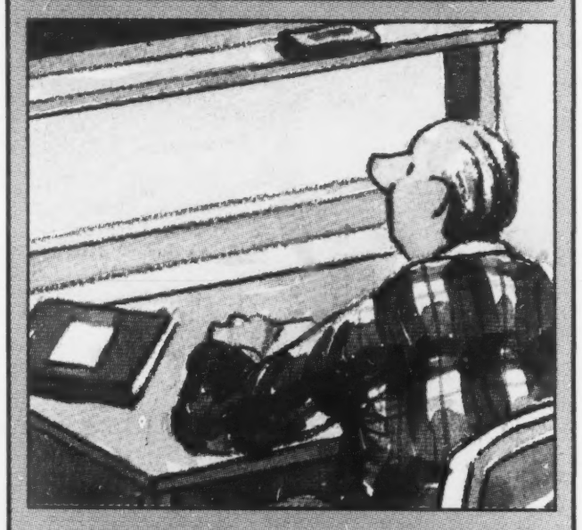
PERSPECTIVES



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INDUSTRY UPDATE

Scott Westlake to start new chain

KANSAS CITY, Mo. — Scott Westlake, former president and ceo of Westlake Hardware, plans to open a chain of hardware stores next year called Hardware Station.

The 37-year-old Westlake, who resigned last February from the family-owned, 74-unit chain, is seeking investors for the $3 million first phase of the chain: six stores in Kansas and Missouri by the end of 1990. Westlake said he would like to enter the Texas and Atlanta markets with six stores each, and eventually grow each market to 15 stores.

Westlake described the proposed 15,000-square-foot stores as "pure hardware," with deep offerings in basic hardlines, paint and tools but no housewares.

Westlake would not comment on any no-compete contract he might have signed with the chain before resigning. Westlake remains the Westlake chain's largest shareholder but does not have majority control.

The Kansas City *Star* reported last month Westlake was considering another retail venture, high-end garden tool stores called Latdhaw Garden and Leisure Co.

NHD unit opens in Maine

STOUGHTON, Mass. — NHD Stores will enter the Maine market on Oct. 26 with the opening of its Lewiston store, situated about 40 miles north of Portland.

The 15,000-square-foot unit will be located in the Promenade Mall in a former Shaw's supermarket. The store will follow the company's prototype of super hardware stores but will also carry a broader line of winter products to cater to the harsh Maine climate.

The company plans further expansion in Maine, and hopes to "saturate both Portland and Bangor with an unspecified number of stores," according to Jerry Goad, executive vice president of NHD.

This will be the company's 36th unit and its fifth New England state. It also operates in Massachusetts, Rhode Island, New Hampshire and Connecticut.

National gets infusion of credit

FOUNTAIN VALLEY, Calif. — The day before reporting a net loss of $2 million on sales of $73.9 million for the first six months of fiscal 1989, National Lumber & Supply said it received a new $13 million line of credit from a Pennsylvania-based lender.

Fidelcor, Rosemont, Pa., provided the new funding, which replaces a $10 million line provided by Security Pacific, of which $7 million is still owed. National plans to use the Fidelcor money for working capital and cash flow. Its expenses include the opening of its 21st unit on Nov. 10 in Oceanside, Calif.

National's business has faltered of late. For the first six months ended July 31, sales fell nearly 8 percent. The net loss equals a loss of 36 cents per share.

Jim Carnavale, National's cfo, laid the company's losses on a drop in consumer spending in the southern California market and competition from Builders Square, Home Depot, HomeClub and Builders Emporium. He said National is changing its ad mix to save money and will cut expenses and salaries.

Ward White to sell auto parts div.

SAVANNAH, Ga. — Boots, the British company that took over Ward White plc in a hostile takeover last month, has retained investment banker First Boston Co. to help it sell off Ward White's American auto parts division that includes the Whitlock, Rose and R&S/Strauss chains. Combined, these assets form the seventh largest retailer in this industry.

In a separate move, Ward White also intends to sell off its other American assets that include Wiener Enterprises, in which Ward White holds a majority stake. Wiener operates the 12-unit Builderama chain here. Jim Smith, Builderama's general manager, told *NHCN* his company was scheduled to meet with principals from the parent company to discuss the chain's future on Sept. 28.

Sawhorse taken to the glue factory

By an NHCN staff editor

LAGRANGE, Ill. — Not even three years old, Sawhorse Home Centers is liquidating inventory in its four stores and is expected to close in the beginning of October.

In mid-September Jim Gee Jr., president of Sawhorse, said the retailer had already begun assignment of assets to creditors, although there was no formal protection from its creditors.

Gee said the stores were holding flea market sales and were cutting staff and salaries to raise cash. Stores in Glen Ellyn and Villa Park, Ill., were closed in September. The remaining Broadview and LaGrange, Ill., units will be shuttered by mid-October, Gee said.

NHCN photo

Jim Gee Jr.

He said there is a chance that his son, a local contractor, might purchase the Broadview store,which serves a predominantly contractor base. Other properties, held in a Gee family trust, are pledged to banks.

Broke away in 1986

The main LaGrange store will become a Gee Lumber and Hardware unit again. Gee is the son of Jim Gee Sr., who owns the 10-store Gee Lumber & Hardware Co., with estimated sales of $20 million. Gee split from his father's enterprise in late 1986 to open

(Continued on page 90)

PPG buys Olympic Homecare in key move to boost home center sales

By an NHCN staff editor

PITTSBURGH — PPG Industries sees its agreement last month to acquire Olympic Homecare Products as "proof" of its commitment to the architectural coatings business, something retailers haven't always been that sure of in recent years.

"In the past we've been questioned about 'are we for real' in this part of our operations, and we've done some things that haven't worked out," admits Ernest A. Hahn, director of planning and development for PPG's $2 billion coatings and resins group, into which Olympic Homecare's business will be folded. "This [purchase] should confirm to the industry our commitment."

If this deal doesn't hit any roadblocks, PPG will pay Clorox Co. $130 million for its coatings division, which markets Olympic Stain, perhaps the best-known stain brand in the United States, and Lucite Paint.

The Oakland, Calif.-based Clorox put Olympic Homecare, based in Bellevue, Wash., on the block in June because it wants to concentrate on marketing its core household product lines.

Entree into home centers

PPG officials believe these two paint and stain brands are its ticket into the home center and mass merchant markets, which PPG so far has not been able to make a dent in.

A few years ago, PPG divested itself of its chain of specialty paint stores. And "with

(Continued on page 88)

Cilluffo wins control of Amdura; turns focus solely to hardlines

By Tom Neven

DENVER — The new management of Amdura Corp. here intends to reinforce that company's hardlines distribution businesses and reduce debt by selling off its manufacturing arms.

After an acrimonious battle, Frank J. A. Cilluffo has won the hearts, minds and proxy votes of Amdura's shareholders. He got consent of 50.4 percent of those stockholders, and on Sept. 19 promptly dumped Amdura's president and ceo and replaced its entire seven-member board with associates more to his liking.

Cilluffo has retained the services of investment banker Morgan Stanley to investigate a possible selloff of the company's Crosby Group, which makes fittings for lifting equipment, and Harris Group, a manufacturer of waste management equipment.

These divisions were a distraction from the company's new hardlines distribution emphasis, and the sale will help Cilluffo in returning Amdura to profitability and paying down a hefty debt that resulted in part from its acquisition of CoastAmerica, the franchised wholesaler.

The success of that effort will hinge on how well Amdura's distribution divisions fare. These include Coast; Farwell, Ozmun & Kirk (FOK), a hardlines wholesaler; and Globe Distributors, an automotives wholesaler.

This division recently got a boost by signing an agreement with Sears and Caldor to distribute automotive aftermarket products to their retail stores. The $25 million deal,

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EDITORIAL

Investors fuel retailers' leap into the '90s

The bankers are getting itchy.

In the wide world of retailing, the big story is the future of the Allied-Federated Department Stores empire, which was built—and underfinanced—by Robert Campeau. Campeau is out and the Reichmanns, with a $250 million loan, are in.

Ken Schept
NHCN Editor

Similarly, in our own little corner of the retail world, investors have installed new management at Wickes Lumber, Rickel and, most recently, Channel. This development might understandably cause concern in an industry whose collective memory includes the Wickes Cos.' and Evans Products' bankruptcies.

On balance, however, these changes are more reassuring than alarming. Hurricane Bernie still threatens to inflict a lot of damage when it rips up the East Coast, but at least precautions are now being taken because investors have too much at stake to turn away.

For Channel and Rickel, in particular, weathering the storm requires that companies, positioned for the 1970s, now leapfrog into the '90s.

Large doses of imagination and risk are required to accomplish this feat. But the exercise, if successful, has important implications. It could produce new formats that will take the industry into the next decade. Of course, investors and their new managers could simply try to count the beans better than their predecessors. But that approach would be fatal.

After all, Channel and Rickel are probably among the industry's best bean counters. Given recent circumstances, they had little choice. The companies were highly leveraged during a period of slower sales and heightened competition.

But for the new management to simply control expenses would be like treading water with a tidal wave approaching. Fortunately, that doesn't seem to be the case.

First, it appears that merchants, not accountants, are being put in charge of shaping the changes at the companies I've mentioned.

Second, after several years of nail biting over the success of warehouse stores, many companies seem again ready to be assertive.

Lowe's is a good example. For most of its 70 years, the company focused on builder sales and only in the last few months shifted priorities to embrace consumers first.

Its new large-store program and corporate restructuring represent an unequivocal redefinition of the company's approach to the market.

Similarly, Hechinger is experimenting with warehouse-type presentation after cultivating a reputation as the world's most unusual Bloomingdale's.

These companies realize that yesterday's answers may not be tomorrow's. The good news is that, as this explosive decade draws to a close, they're not alone.

To the extent the bankers support this new spirit, their heightened attention may ultimately serve the industry well.

—Ken Schept

COMMENTARY

Vendors on the warpath for shelf space

If retailing is like war, it's beginning to resemble World War I as its battles are now being fought over mere square inches of enemy territory.

The best weapon to date in this war over shelf space has been computer software that allows a vendor to prove to a dealer how his product will maximize profits.

Tom Neven
NHCN Senior Desk Editor

This idea has been taken to its logical extension with a new program—appropriately called "Sniper"—that allows one vendor to pick off his competition with a Direct Product Profitability (DPP) analysis of his product *and* the other guys'. There's no blood in the aisles yet, but I'm sure it's only a matter of time.

But that battle for shelf space—especially the way retailers have been exploiting it—has the potential to backfire on those who started the war.

For an example, we need look no further than the grocery industry, which is the largest segment of retailing in America. It's fair to say that as food retailing goes, so goes the rest of retailing. Computerized inventory and bar code scanning are the most obvious examples that were pioneered by supermarkets. A few home centers are even bringing in supermarket veterans to teach them how to sell more in less space.

The latest permutation of the shelf-space war among grocers is the "slot fee." This controversial development has retailers demanding fees to put a vendor's product on the shelf. The more money, the more space. Mega-companies like Coca-Cola and General Foods have no trouble coming up with the cash. But small vendors are finding themselves squeezed out of lucrative markets because of what is in effect legalized extortion.

Grocers deny the extortion charge by citing the high cost of bringing a new product to the consumer. Shelves must be cleared, warehouse space must be opened up, etc. More than likely, however, it is the tight margins they face—1 percent on average—that force the grocers to look for money anywhere they can get it. Slot fees are a profit center.

As home center competition gets hotter and as margins erode, dealers in this industry will have to find their own additional sources of income. Currently, they hammer vendors for co-op advertising dollars, training dollars, and merchandising assistance. Buybacks are a major sore point between manufacturers and retailers. Can slot fees be far off?

The problem is that the ultimate loser is the customer, in that all these costs are eventually passed on to him. Moreover, the consumer is not served if the best-financed product, as opposed to the best product, is what gets stocked. As retailers spend more time making vendors jump through hoops, they spend less time looking for what customers want. And the small manufacturers, frequently ones with great ideas and products, are left high and dry.

To be sure, this is not a necessary development for our industry. There are important differences between grocery stores and home centers. Supermarkets face a deluge of new products every year, four fifths of which ultimately fail, according to Timothy Hammonds of the Food Marketing Institute, a retail trade group. Also, grocery stores tend to be smaller than the typical home center. So take this as a cautionary tale.

After all, if you want to wake up screaming, think about the latest variation on the slot fee—the "failure fee." If a product doesn't meet sales expectations, the vendor has to buy it back *and* pay a punitive charge. Call the medics, the war just escalated.

—Tom Neven

National Home Center News®
is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212 371-9400
Subscription Services, ext. 379 or 419
Cable Address: LEBHAFRIED
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Publisher of National Home Center News, Discount Store News, Nation's Restaurant News, Drug Store News, Accounting Today, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

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"My wife hates the smell of paint but loves my after-shave, so mix this in, will y[illegible]?"

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Perspectives

systems & operations

FTC shifts standards on state regulated trucking rates

By Ken Rankin

WASHINGTON — Building material dealers and their suppliers face fresh uncertainty over transportation costs as a result of shifting Federal antitrust standards governing state motor carrier rate bureaus.

In its latest trucking industry policy promulgation, the Federal Trade Commission ordered the New England Motor Rate Bureau to withdraw all freight tariffs which it had established for motor carriers in Massachusetts and New Hampshire.

At the same time, FTC antitrusters gave a clean bill of health to bureaus which employ identical collective rate setting procedures in Rhode Island and Connecticut.

At issue is the legality of tariffs set by rate bureaus, private associations of competing motor carriers which collectively agree on freight rates and file them for approval by state regulators.

FTC antitrusters launched a series of investigations into the activities of these bureaus during the early 1980s, and followed through by charging several of these groups with illegal price fixing.

In ordering a halt to collective rate making in two New England states while allowing the practice to continue in two others, the FTC advanced a complex "state action doctrine" to evaluate the legality of such activities.

State supervision stressed

Although motor carrier rates jointly set by representatives of competing firms clearly indicate price fixing, the FTC said such antitrust violations are immune from Federal challenge if they meet both parts of a "two-pronged" test:

- There must be a "clearly articulated and affirmatively expressed" state policy to rely on regulation (*e.g.*, motor carrier bureau rate setting) rather than competition; and
- The price fixing or other anticompetitive behavior must be "actively supervised" by state officials.

In both Rhode Island and Connecticut the FTC found that both tests had been satisfied. In Massachusetts, however, the Commission concluded that the state's Department of Public Utilities merely rubber stamps the rates set by the bureau, and therefore does not "actively supervise" this process.

New Hampshire, meanwhile, failed the first "prong" in the two-part standard because its officials "lacked the statutory authority to suspend or reject rates for being unjust or unreasonable."

The next stop will be the courts, where FTC's new ground rules for rate bureau activity will come under extensive scrutiny.

Study looks at reasons people in home center industry switch jobs

By an NHCN staff editor

NATIONAL REPORT — Dissatisfaction with the company ranks higher than pay as the most important reason why home center executives look for new jobs.

More than two in five industry executives responding to a recent survey of the home improvement industry cited disgruntlement with their employer as a reason for looking toward greener pastures. Interestingly, half of the store and general managers (50 percent) said dissatisfaction moved them to look for new jobs, compared to only one out of five district or regional managers who cited this as a reason.

These findings are part of a study conducted by Lebhar-Friedman Research, the research arm of *NHCN*'s parent Lebhar-Friedman. It assessed reasons why 185 industry officials decided to go job hunting over the past two years.

Among all respondents, 41 percent were prompted to move because of lack of responsibility or opportunity for advancement, while 31 percent said pay and benefits figured into their decision to change jobs.

Norman Zarkin, the managing partner of E. J. Rhodes Associates, an executive search firm that deals largely with the home center industry, said he sees the number one reason for leaving a company as a lack of future.

"They know in their heart of hearts that they're not promotable," Zarkin said.

What do they look for?

But deciding to change jobs is only one part of the equation. The Lebhar-Friedman survey also asked what things executives look for in prospective companies.

Among all respondents, opportunity for advancement was the single most important factor to consider when changing positions in the industry.

Coming in a close second, respondents named a company's reputation as an employer (80 percent) and its financial stature (71 percent) as other important factors.

Zarkin said, "There's a growing paranoia in the industry that a company won't exist in a few years. The higher up the official, the more important this becomes."

Surprisingly, salary and benefits rated relatively low among dealers responding to the Lebhar-Friedman survey. Less than two-thirds of the respondents described these as "very important" considerations in looking for a new position.

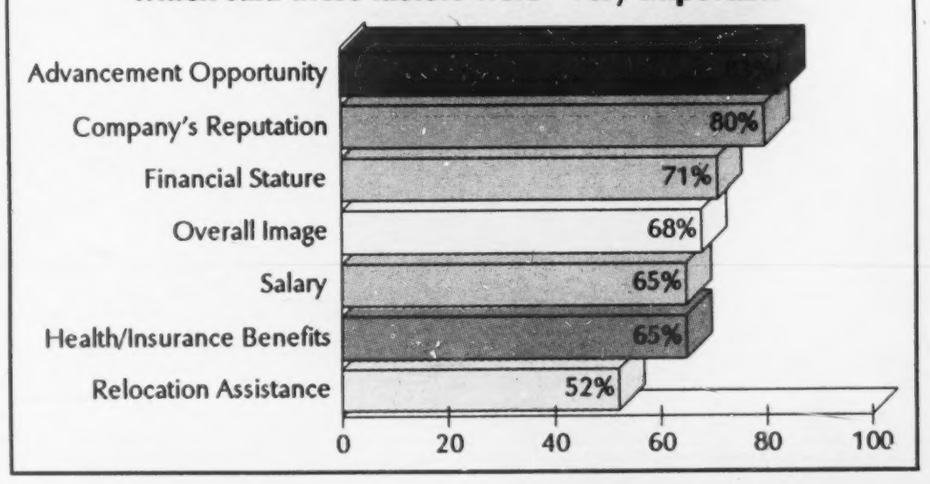
But Zarkin said he sees a growing trend among higher-level executives who consider "lifestyle" issues when looking for a job in a new location. Among these are such things as cost of living, culture, climate, safety, and educational and recreational facilities.

The least important factors in choosing the prospective new company, according to the study, were its size and the customers it serves.

When it comes time to look for a job, most home center executives relied on a network of friends or acquaintances in the industry. Four out of five used this network at some point in their search, and 35 percent went this route as their first step in the job hunt.

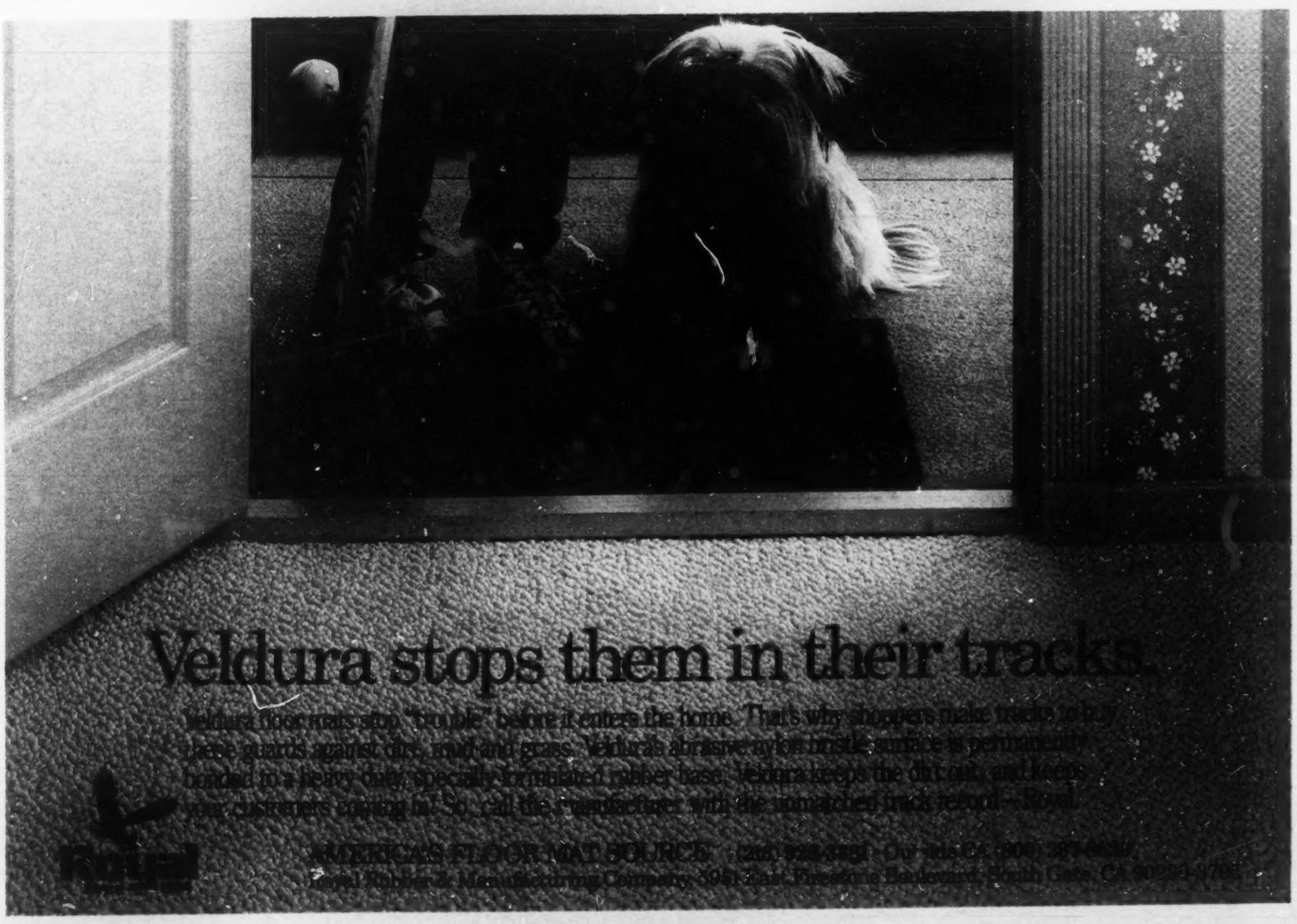
Seventy-two percent used classified advertising in trade journals, and 70 percent contacted the personnel departments of companies they were interested in.

In looking for a new job, percentage of respondents which said these factors were "Very Important"



All steps taken when considering job change		The first step taken when considering job change	
Contact friends/acquaintances in the industry or in the company I want to work for	80%	Contact friends/acquaintances in the industry or in the company I want to work for	35%
Read recruitment ads in industry trade publications	72	Contact an employment agency/ search firm	17
Contact personnel departments of prospective employers	70	Read recruitment ads in industry trade publications	17
Contact an employment agency/ search firm	55	Contact personnel departments of prospective employers	14
Read recruitment ads in newspapers	54	Read recruitment ads in newspapers	4
Attend job fairs	18	Attend job fairs	0
All other	4	All other	1

NHCN charts Source: Lebhar Friedman Research



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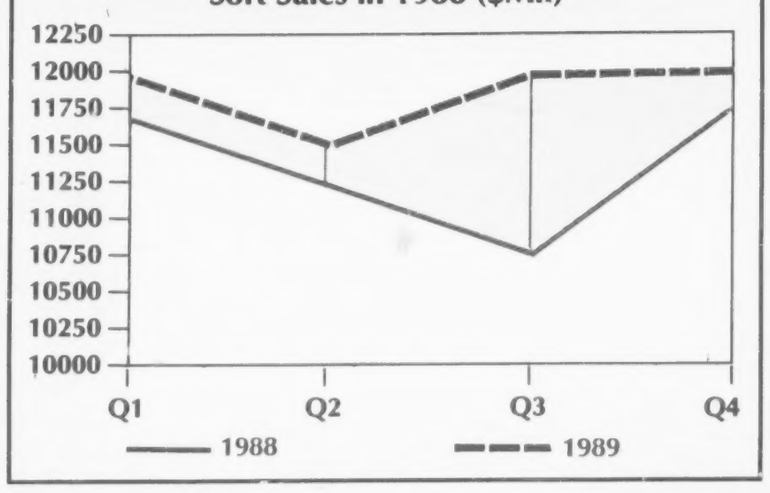
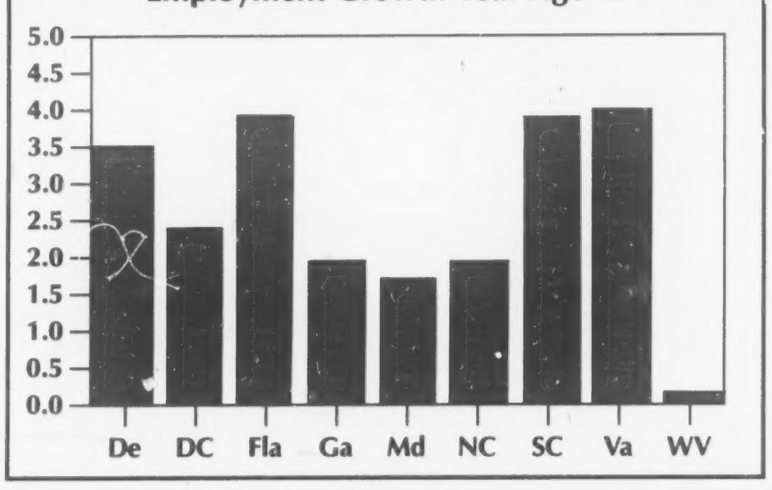
Business Watch

Section 4

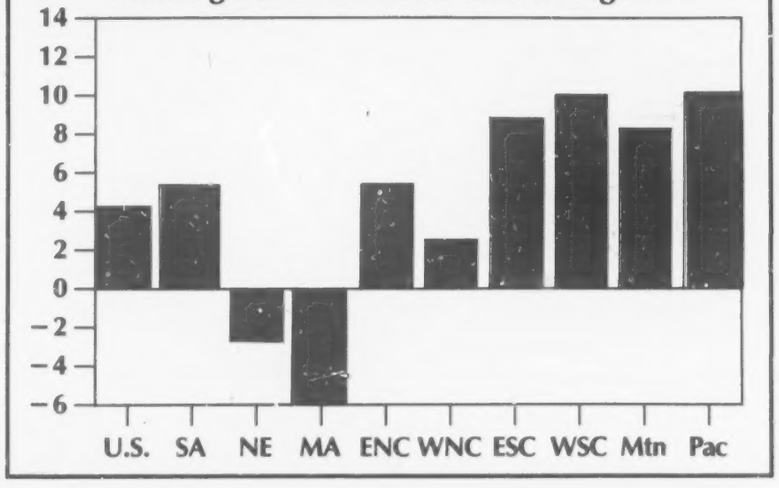
Weakness last year . . .



. . . and moderate income gains . . .



. . . will boost sales in 1989.



The South Atlantic economy outpaces nationwide gains

By Richard Mount
Special to NHCN

Building material sales in the South Atlantic states are expected to increase 5.3 percent this year, slightly stronger than the 4.3 percent national gain. Adjusted for inflation, the unit volume of sales should be up 1.1 percent. However, the health of the local economy is only equal to the national average.

The gain in building material sales will be concentrated in the third quarter of 1989. Last year, the third quarter declined 5.2 percent from the second, so year-over-year gains in the third quarter of 1989 could be as high as 11.9 percent. Through the first half of the year, sales were up only 2.7 percent.

Richard E. Mount

Employment gains in this region are the same as the national increase, up 2.8 percent from last year. For trade, the regional gain is a stronger 3.8 percent. In comparing the growth in employment among the South Atlantic states, it is important to remember that the average for New England is only 0.9 percent and the Middle Atlantic states is 1 percent. Employment in the second weakest South Atlantic state is higher than the strongest in either New England or Middle Atlantic.

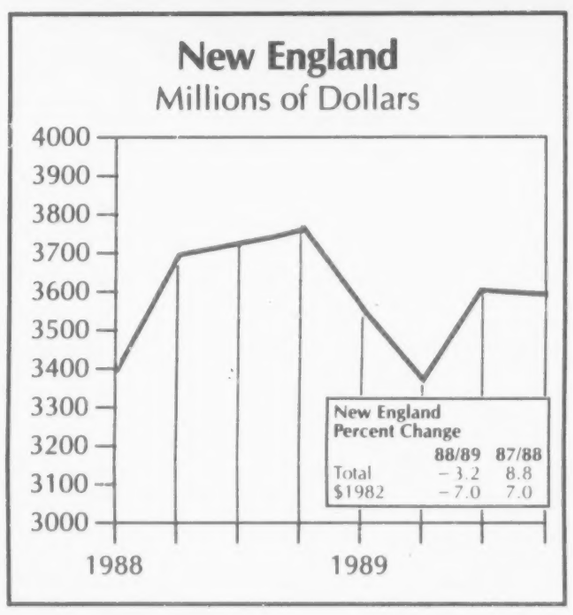
Virginia is enjoying the strongest employment gains in the region, up 4.1 percent from a year ago. Retail sales have been soft; building activity, though, has been strong with construction employment up 7.3 percent.

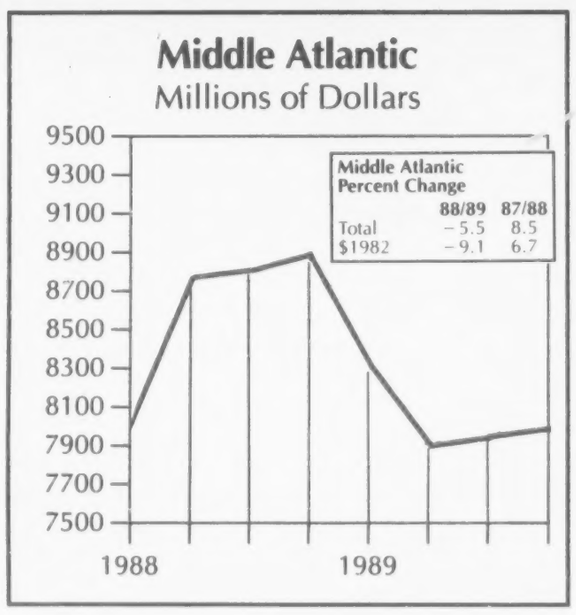
Florida enjoys the second strongest employment growth; however, building activity is down 0.2 percent.

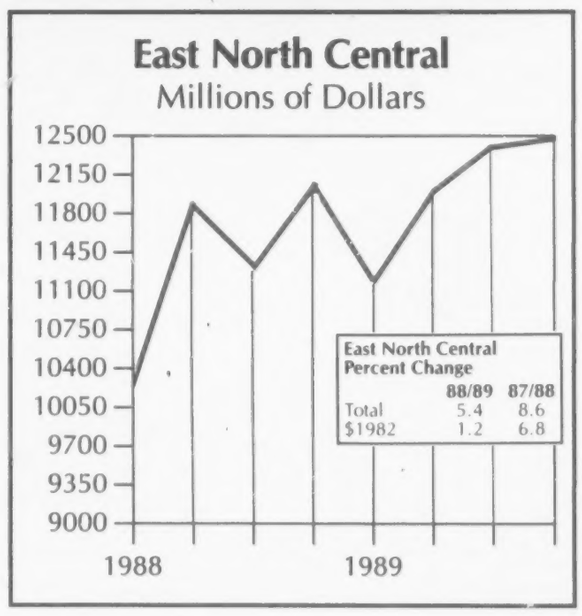
For building material retailers, strength in South Atlantic employment suggests sales gains in 1989 above the national average. However, this gain will be due more to weakness in the third quarter of 1988, not strong demand in 1989.

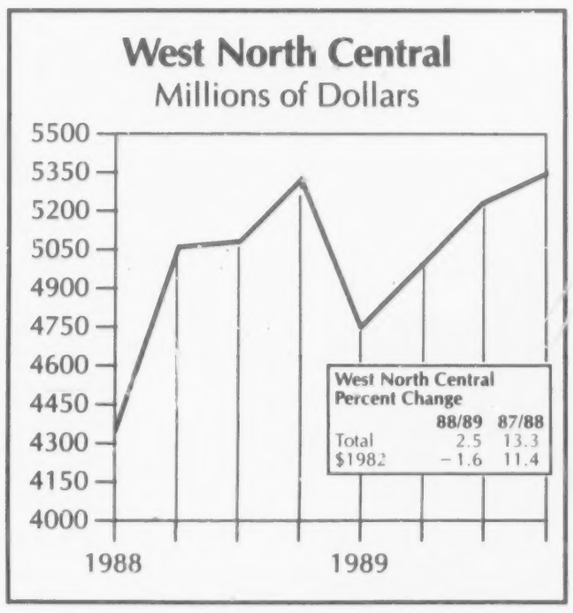
Richard Mount is president and chief economist with Mount Economic Consulting.

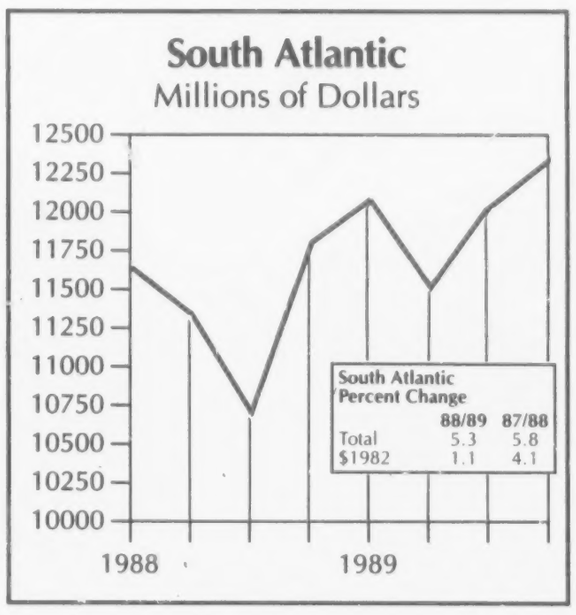
Regional Outlook: Building Material Sales

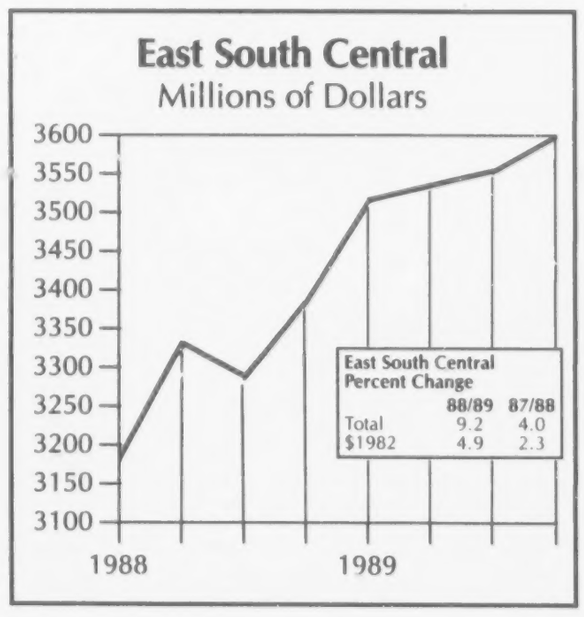


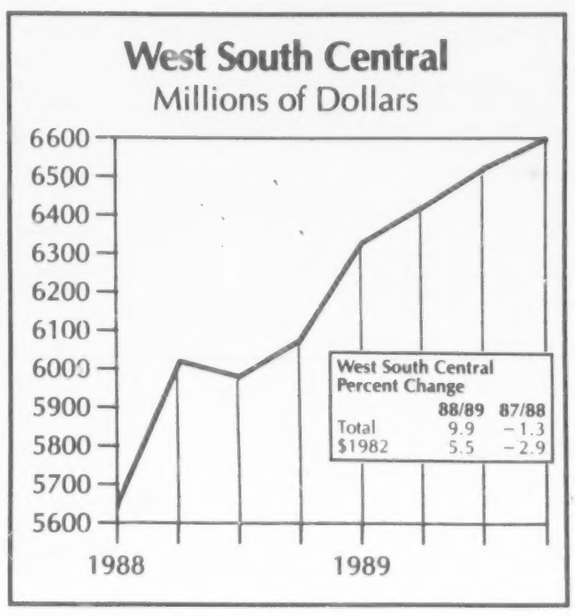


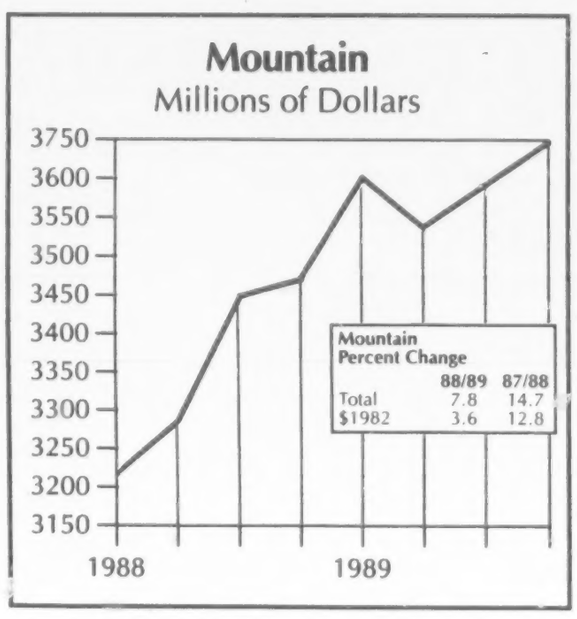


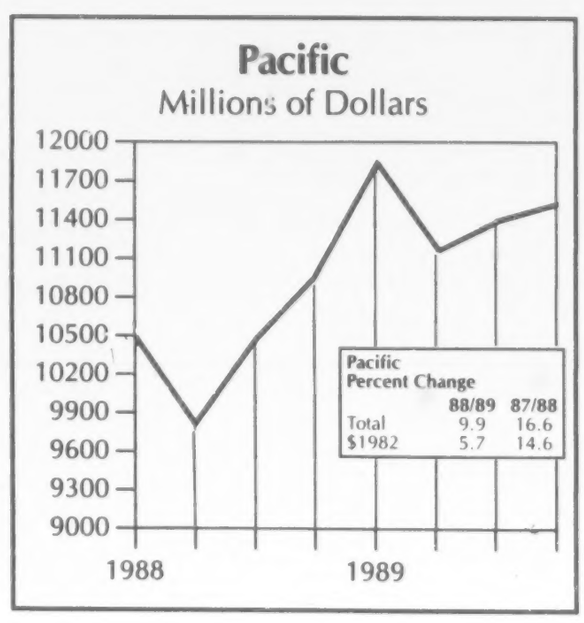












Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks

Payless Cashways reports pick up in sales for third quarter

By an NHCN staff editor

KANSAS CITY, Mo. — Payless Cashways, the 195-unit chain based here, saw its sales increase 6.8 percent to $562 million for the quarter ended Aug. 26.

That's much faster growth than the chain has enjoyed throughout the year, as the company's volume through the first nine months of fiscal 1989 had grown by only 3.7 percent to $1.5 billion.

Comp-store revenues for units opened one full year grew by 7.2 percent in the quarter but only 2.8 percent for the nine-month period.

Payless officials continue to point to the chain's cash flow as an indication of its health following the leveraged buyout of the chain last year by its management. And using that barometer, Payless' third quarter earnings before interest, taxes and depreciation (EBITD) rose 26.2 percent to $48.1 million.

The most recent figure doesn't include a one-time special charge of $12.3 million that's associated with Payless' post-LBO restructuring. In addition, the third quarter results include a charge of $2.8 million "in connection with an early extinguishment of debt," according to a prepared statement.

Its year-to-day EBITD figure of $124.1 million is 22 percent higher than the comparable total in 1988.

Taking the costs incurred from the LBO into account, Payless reported a third quarter loss of $6.8 million and a $25.5 million loss for the nine months.

This compares to a $13 million loss for what Payless has calculated to be a comparable 13-week period in 1988, and a $9.2 million loss during a 39-week stretch in 1988.

Stocks hit by a wipeout

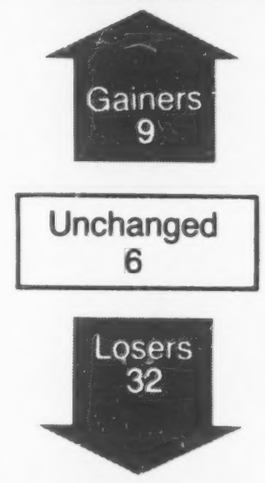
The two weeks ended Sept. 22 were mostly a wipeout for publicly held home improvement companies. Thirty-two of the 47 firms tracked for *NHCN* by Media General showed declines in their stock prices; another six were flat.

Among retailers, the biggest drop was experienced by Strober Organization, whose stock price fell by 12 percent to $5.50 per share. Standard Brands Paint, the California-based specialty retailer, declined by 9.85 percent to $14.88.

The gainers were few and the gains were modest. Wolohan Lumber increased by 2.44 percent to $21; Scotty's by 1.56 percent to $16.25; and Home Depot by 1.09 percent to $34.63.

On the manufacturer side, the same song was being sung. Nortek, the parent of Universal-Rundle and Dixieline Lumber, saw its shares decline in value by 10.77 percent—the biggest drop of the period for any of the companies tracked—to $7.25 per share. American Woodmark's stock continued to fall, this period by 9.59 percent to $8.25.

On the plus side, Waxman Industries, the plumbing and electricals distributor, increased by 6.33 percent—the biggest gain of the two weeks—to $10.50. Georgia-Pacific jumped 3.66 percent to $60.25; and Thomas Industries, the lighting supplier, grew by 2.56 percent to $20.



HOME CENTER MARKET SUMMARY

National Home Center News

Covering The Period 09/08/89 - 09/22/89

Company (Exchange)	Symbol	STOCK PRICE High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	VOLUME Total Volume This Period	% Shrs. Outstanding	Average Daily Vol. Last 52 Week	Average Daily Vol. This Period	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	(100)	%	(100)	(100)	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Retailers																											
Gen Bldg Prods (O)	GBLD	3.13	3.00	3.00	-.06	-2.04	5.25	2.75	30	.08	40	3	-.06	-.86 S	-100.0	NC	-.3	NE	.00	.0	00-00-00	79.3	-.2	4.6	5.48	4.01	1188
Grossman's Inc (O)	GROS	7.38	6.88	7.00	-.38	-5.08	9.75	4.88	19,395	7.42	2,187	1,940	.50	-.02 S	-3.7	NC	1.2	13.5	.00	.0	00-00-00	1141.6	13.2	1.8	6.15	3.88	1288
Hechinger A (O)	HECHA	16.13	15.75	16.13	.00	.00	19.63	15.75	6,120	2.99	1,024	612	NA	NA	NA	NA	NA	NA	.16	1.0	07-31-89	NA	NA	NA	NA	NA	NA
Hechinger B (O)	HECHB	16.25	15.63	15.88	-.50	-3.05	19.50	15.50	431	.29	63	43	1.30	-.05 S	-4.2	14	4.8	13.9	.06	.4	07-31-89	1019.4	48.8	3.9	4.95	10.14	0189
Home Depot (N)	HD	35.63	32.25	34.63	.38	1.09	35.88	17.25	18,284	2.41	2,163	1,828	1.00	.32 S	36.8	46	3.8	29.1	.12	.3	08-25-89	1999.5	76.8	1.7	1.45	5.16	0189
K mart Cp (N)	KM	42.38	39.38	39.88	-1.75	-4.20	44.88	33.75	58,233	2.92	6,550	5,823	4.00	.25 S	7.1	15	2.9	10.5	1.64	4.1	08-11-89	27301.0	803.0	2.0	14.78	25.13	0189
Lowe's Cos (N)	LOW	31.25	29.25	30.13	-1.00	-3.21	31.63	19.25	4,516	1.22	637	452	1.83	.21 S	12.1	3	2.7	15.5	.48	1.6	10-06-89	2516.9	69.2	2.0	5.12	15.80	0189
NHD Stores (O)	NHDI	7.75	7.50	7.50	-.25	-3.23	9.50	6.50	9	.07	25	1	.79	-.09 S	-13.4	9	1.9	12.9	.00	.0	09-16-86	51.4	1.0	2.1	4.07	7.14	0189
Natl Lumber (O)	NTLB	2.25	2.13	2.13	.00	.00	2.88	1.75	97	.17	40	10	-.82	-.77 S	NE	NC	-3.0	NE	.00	.0	00-00-00	152.0	-4.6	1.2	.21	2.86	0189
Scotty's Inc (N)	SHB	16.50	15.75	16.25	.25	1.56	16.63	10.50	202	.14	243	20	.76	-.50 N	-63.3	-21	2.0	56.0	.52	3.2	07-06-89	550.8	11.1	2.1	3.58	12.20	0688
Sears, Roebuck (N)	S	45.50	43.00	43.25	-2.13	-4.68	48.13	37.25	56,023	1.55	8,924	5,602	2.40	-1.26 S	-31.3	-7	1.8	15.7	2.00	4.6	08-22-89	50407.8	909.5	.0	26.15	37.75	1288
Std Brd Pnt (N)	SBP	16.75	14.63	14.88	-1.63	-9.85	19.38	11.75	1,058	1.85	350	106	.37	.64 S	NE	-27	1.2	29.2	.00	.0	08-11-87	304.4	3.7	2.8	28.85	6.65	0189
Strober Organiz (O)	STRB	5.75	5.50	5.50	-.75	-12.00	10.50	4.50	290	.48	59	29	.64	-.36 S	-48.6	6	2.8	14.5	.00	.0	00-00-00	140.4	3.9	1.7	1.09	4.93	1288
Wolohan Lumber (O)	WLHN	21.00	19.75	21.00	.50	2.44	27.00	14.75	1,589	2.70	210	159	1.92	.26 S	15.2	45	4.3	10.7	.28	1.3	08-28-89	257.8	11.2	2.6	4.79	9.02	1288
Wholesalers																											
Hughes Supply (N)	HUG	19.88	18.88	19.75	.25	1.28	21.88	16.50	1,149	2.41	67	115	1.99	-.09 S	-4.6	10	1.9	10.6	.36	1.8	07-31-89	501.9	9.7	3.0	15.72	18.88	0189
Moore-Handley (O)	MHCO	4.00	3.88	4.00	.13	3.23	4.75	3.75	621	2.71	16	62	-.17	-.20 S	NE	NC	-.5	NE	.20	5.0	10-03-88	99.7	-.5	2.0	3.18	5.98	1288
Manufacturers																											
Am Consum Prods (O)	ACPI	7.75	7.00	7.50	.00	.00	11.50	7.00	3,979	15.27	29	398	.70	.01 S	1.4	NC	2.3	10.3	.00	.0	06-08-88	78.6	1.8	4.3	7.33	5.40	1288
Am Woodmark (O)	AMWD	9.63	8.25	8.25	-.88	-9.59	13.75	8.25	1,092	1.45	52	109	1.00	.17 Q	22.1	NC	4.7	8.8	.00	.0	05-24-88	158.1	7.5	2.3	3.65	5.41	0469
Armstrng Wrld (N)	ACK	46.50	41.63	43.75	-2.88	-6.17	50.88	31.75	31,601	6.83	2,058	3,160	3.51	.02 S	.6	18	6.1	12.5	1.06	2.4	08-07-89	2680.3	162.7	1.2	4.02	21.73	1288
Black & Decker (N)	BDK	24.25	22.38	22.63	-1.50	-6.22	25.25	18.13	12,859	2.19	2,767	1,286	1.65	-.11 N	-7.3	4	4.3	16.2	.40	1.8	09-01-89	2280.9	97.1	1.7	4.73	12.38	0988
Boise Cascade (N)	BCC	45.88	43.50	43.75	-1.75	-3.85	48.00	39.25	13,246	3.26	1,522	1,325	6.34	1.41 S	26.9	40	7.1	6.5	1.40	3.2	09-11-89	4094.6	289.1	1.3	20.59	37.34	1288
Catalina Lghtg (A)	LTG	13.13	12.38	12.63	.00	.00	15.25	5.25	972	2.17	194	97	.41	.23 N	69.7	NC	4.1	22.5	.00	.0	00-00-00	26.9	1.1	1.6	.06	1.52	0988
Champ Intl (N)	CHA	34.63	33.13	33.63	-.63	-1.82	37.75	29.50	19,328	2.03	2,947	1,933	4.80	.89 S	22.0	NC	8.9	6.8	1.10	3.3	09-11-89	5128.5	456.4	1.4	20.00	35.05	1288
Clairson Intl (O)	CLIC	7.44	7.13	7.13	-.31	-4.20	7.50	2.75	581	1.14	196	58	-3.79	-4.34 F	-100.0	NC	-18.5	NE	.00	.0	00-00-00	104.2	-19.3	1.8	3.54	3.89	0987
Cooper Indus (N)	CBE	36.00	34.50	35.13	-.88	-2.43	37.88	25.13	15,803	1.55	2,128	1,580	2.21	.46 S	24.1	21	5.3	14.8	1.00	2.8	09-12-89	4258.3	224.4	1.7	11.54	17.47	1288
DeSoto Inc (N)	DSO	41.25	37.50	40.75	-.50	-1.21	52.50	32.25	3,060	7.63	409	308	.79	-2.16 S	-100.0	NC	.8	NE	.40	1.0	09-20-89	402.5	3.2	1.8	12.33	24.29	1288
Georgia Pacific (N)	GP	60.50	57.38	60.25	2.13	3.66	60.50	33.25	27,615	2.91	2,488	2,762	4.76	1.70 S	38.7	44	4.9	9.9	1.40	2.3	08-07-89	9509.0	467.0	1.9	26.51	27.79	1288
La Pacific (N)	LPX	41.00	39.13	40.13	-.88	-2.13	42.00	26.00	13,482	3.62	1,003	1,348	4.02	-.05 S	-1.2	41	8.5	9.8	1.00	2.5	08-08-89	1799.4	153.6	3.3	9.92	30.51	1288
Macmillan Bloedel (O)	MMBLF	17.13	16.50	16.50	-.75	-4.35	17.88	13.88	2,989	.29	585	299	2.58	.23 S	-9.3	NC	10.1	7.3	.80	4.8	08-07-89	2743.8	276.4	.0	NC	NC	0000
Manville Cp (N)	MVL	10.13	9.38	9.50	-.25	-2.56	10.13	6.38	3,478	.88	NC	348	.79	.79 F	NC	NC	4.7	12.0	.00	.0	00-00-00	2062.2	96.0	1.7	22.06	7.39	1288
Masco Corp (N)	MAS	27.88	26.25	26.50	-1.38	-4.93	31.13	23.63	59,260	3.80	3,214	5,926	2.10	-.05 S	-2.6	16	11.8	14.1	.52	2.0	10-16-89	2438.6	288.3	3.0	7.30	11.30	1288
Mor-Flo Inds (O)	MORF	5.75	5.75	5.75	.00	.00	7.75	5.00	0	.00	18	0	-1.11	2.74 S	NE	NC	-1.3	NE	.01	.2	12-09-88	218.0	-2.8	1.8	12.85	14.08	1288
Newell Co (N)	NWL	43.88	41.25	42.75	-.88	-2.01	46.50	22.38	5,670	1.93	566	567	2.18	.96 S	61.9	24	6.2	17.0	.88	2.1	08-09-89	988.2	61.4	1.7	6.56	11.19	1288
Nortek Inc (N)	NTK	8.25	7.13	7.25	-.88	-10.77	10.38	6.38	1,770	1.23	383	177	.90	.16 S	NE	NC	1.1	NE	.10	1.4	10-02-89	1224.2	13.2	2.9	38.65	16.34	1288
Owens Corn (N)	OCF	36.13	33.25	34.13	-1.75	-4.88	36.88	19.50	10,598	2.64	1,202	1,060	4.71	4.88 S	NC	NC	7.0	7.0	.00	.0	00-00-00	2831.0	197.0	1.2	32.73	-15.18	1288
Ply-Gem (A)	PGI	13.88	13.13	13.25	-.25	-1.85	15.00	11.38	1,545	1.44	223	155	1.41	.15 S	16.5	13	4.1	12.5	.12	.9	08-14-89	383.7	15.9	4.0	7.71	9.37	1288
Pope & Talbot (N)	POP	27.50	26.50	27.13	.63	2.36	29.75	16.13	1,870	1.59	264	187	2.68	.77 S	31.8	NC	6.2	8.5	.60	2.2	07-25-89	515.0	31.9	1.9	6.24	13.05	1288
Potlatch Cp (N)	PCH	35.63	33.50	34.63	-.75	-2.12	38.63	29.00	2,689	.93	366	269	4.04	.87 S	24.6	33	10.4	7.9	1.04	3.0	08-10-89	1084.1	112.4	2.4	13.66	24.97	1288
PPG Inds (N)	PPG	45.50	43.63	44.13	.00	.00	46.00	36.25	16,678	1.44	1,687	1,668	4.26	.35 S	9.0	17	8.3	10.4	1.52	3.4	08-04-89	5638.7	467.6	1.5	8.00	20.48	1288
Rep Gypsum (N)	RGC	4.88	4.63	4.63	-.13	-2.63	6.13	4.25	297	.29	64	30	.24	.04 F	20.0	-29	5.0	19.3	.20	4.3	08-25-89	48.1	2.4	3.4	1.09	3.16	0688
Sherwin-Wms (N)	SHW	34.00	32.50	32.75	-1.25	-3.68	35.75	24.86	4,612	1.07	1,040	461	2.30	.09 S	3.9	13	5.2	13.7	.70	2.1	08-21-89	1950.5	101.1	2.0	3.01	13.97	1288
Stanley Works (N)	SWK	38.50	36.00	36.75	-1.50	-3.92	39.25	24.25	7,519	1.76	974	752	2.40	.40 S	18.3	10	5.4	14.2	1.08	2.9	09-05-89	1909.0	103.5	2.7	7.93	16.31	1288
Thos Inds (N)	TII	20.00	19.13	20.00	.50	2.56	22.25	18.13	969	.95	102	97	1.62	.02 S	1.2	5	5.1	11.8	.72	3.6	08-28-89	347.6	17.7	2.7	.00	12.25	1288
Union Camp (N)	UCC	39.38	38.38	38.75	-.25	-.64	41.38	31.00	14,497	2.11	1,622	1,450	4.25	.97 S	26.9	19	11.1	8.5	1.48	3.8	08-28-89	2660.9	295.2	2.4	9.13	22.66	1288
USG (N)	USG	4.50	4.00	4.25	-.13	-2.86	7.63	4.00	9,017	1.67	1,468	902	2.38	-1.68 S	-61.5	NC	5.6	4.0	.00	.0	00-00-00	2248.0	125.5	1.0	44.18	-27.26	1288
Waxman Inds (N)	WAX	10.88	9.63	10.50	.63	6.33	10.88	7.00	1,130	1.23	271	113	.80	.09 F	12.7	17	3.0	13.1	.12	1.1	09-01-89	241.4	7.3	2.6	3.63	2.27	0688
Weyerhaeuser (N)	WY	31.38	29.75	29.88	-.38	-1.24	32.75	23.25	32,517	1.59	4,341	3,252	2.68	.41 S	16.7	27	5.6	10.4	1.20	4.0	07-24-89	10013.9	564.4	.0	16.55	19.86	1288

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Cilluffo wins control of Amdura

(Continued from page 5)
made before Cilluffo took charge, is not expected to be affected by Amdura's change in management, said company spokesman Scott Ross.

Battle of wills

What started as a corporate takeover battle between Amdura's management and Cilluffo, an investor and pension fund manager who owned 17.6 percent of the company's stock, turned into a battle of wills between the pursuer and the pursued.

Early last month, that tension was in full view, as Cilluffo accused Amdura's corporate board of incompetence and financial impropriety, while Amdura—mostly through its president Robert Nassau—attempted to mollify Cilluffo by offering him various olive leaves.

Cilluffo, though, was not dissuaded. Documents he filed with the Securities and Exchange Commission detail his animus towards Amdura's managers:

- He objected to a "special payment" of $875,750 distributed to three Amdura board members (including Nassau) and three other Amdura employees to defray expenses related to Amdura's headquarters move from St. Paul, Minn., to Denver. Cilluffo is demanding repayment of these monies, with interest, in a letter to Amdura's board sent Sept. 7.

While this payment was approved by Amdura's compensation committee, it was not disclosed to shareholders. Nassau defended the payment as ensuring "management continuity" by covering anticipated losses that may have been related to the quick sale of residences, for instance;

- Cilluffo complained about a sale of batteries to Amdura by Mixon, Inc., a company owned by Amdura board member Gordon Mixon, because Mixon could only estimate the worth of the sale at "between approximately $200,000 and $300,000."
- Perhaps his biggest complaint was over the $40 million bridge loan Amdura negotiated with Continental Illinois that was due June 29. The loan couldn't be refinanced, but the bank granted an extension until Sept. 27, though it included a 1 percent increase on the borrowing interest rate.

That loan, though, was extended again until Oct. 6 by Continental Bank to give Amdura's new management time to work out a longer-term arrangement with the lender.

Continental's decision to extend leniency could be viewed as a vote of confidence in Amdura's new management, although at least one analyst—Skip Maples of Piper Jaffray & Hopwood in Minneapolis—contends it's still not all that certain the bank will ultimately renegotiate the debt.

No money for defense

That loan was connected to the debt Amdura incurred as a result of its December 1988 acquisition of CoastAmerica. Strapped for cash, the company was never in any condition to thwart the takeover assault launched by Cilluffo.

So confident in his efforts was Cilluffo that he rejected Nassau's Aug. 29 offer of two additional board seats, with the stipulation that Cilluffo observe a "standstill" on his takeover until Amdura's 1991 annual shareholders meeting.

Calling this "boardmail," Cilluffo demanded that the board be replaced completely. His replacements, though, are short on knowledge about the hardlines industry except for James Watson, who was once president of the hardlines division of the Gamble-Skogmo wholesaling company.

John J. Cardwell, a Cilluffo-appointed board member, has been named Amdura's chairman and interim president and ceo.

Cilluffo's complaints notwithstanding, the management and board he kicked out had devised a strategy that, until recently, appeared to be working.

The company, whose hoist and derrick businesses were foundering, had posted earnings losses for five years, including a $70 million deficit in 1986, and it hadn't paid a dividend since 1982. Those businesses were divested for their book value in 1987, as the company placed greater emphasis on hardlines wholesaling.

But after two profitable years, Amdura posted operating losses in the first six months of 1989, a result of its Coast acquisition and its attempts to integrate Coast's and FOK's store programs. Before he was deposed, Nassau continued to believe the changes he had made at Amdura would become profitable by the end of 1990.

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National Home Center News (ISSN 0192-6772) is published biweekly, 25 times a year, every other Monday, monthly in December, beginning with the third Monday in January; by Lebhar-Friedman Inc., 425 Park Ave., New York, NY 10022. Subscriptions are available at no charge to qualified retailers and wholesalers of lumber and building supplies and hardware. Paid subscriptions are available to nonqualifying retailers and wholesalers, and to manufacturers and others at $69 per year in the U.S.; $79 per year to Canada; $219 per year to all other countries (air mail only). Group subscriptions available in the U.S. (1-4 copies, $69; 5-19 copies, $64; 20 or more copies, $59). Single rate copy is $3 except last two May issues, first June issue (Annual Census Issues) $20 each, $48 for all three.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 15, No. 21, Copyright© 1989 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 15, No. 21 October 9, 1989

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